



Remarks For
The Hon. Steven Preston
Administrator
U.S. Small Business Administration

Delivered At The

**Business Civic Leadership Center Disaster Response and Recovery
Program 2007 Workshop: New Madrid Fault Scenario**

U.S. Chamber of Commerce – Washington, D.C.

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Good morning everyone. Thank you, Arthur, for the nice introduction, and thanks to all of you for that warm welcome; it's a pleasure to be here. I would like to take a moment to acknowledge Pat Rea who is here in the audience. Pat is the SBA's Region 5 Administrator from Chicago and also serves as Chief of SBA's Accelerated Disaster Response Initiative here in Washington. He has been a close partner and advisor to me since I took over at the SBA and has also been a driving force in improving our disaster program.

I would also like to thank Stephen Jordan and his staff at the BCLC (Business Civic Leadership Conference) and the Chamber of Commerce for their hard work in organizing this important conference and workshop; I appreciate the invitation to speak here today. I also appreciate the ongoing tenacity of the Chamber to play a constructive, forward looking role in advancing disaster preparedness across our country.

Workshops like these are excellent forums for businesses, government agencies, and civic organizations and associations to come together, share ideas, solve problems and work toward identifying solutions for disaster recovery operations.

The response and recovery operations following any disaster require a great deal of cooperation and coordination between government officials, community leaders and citizens. The SBA deals with disasters across the

country on a weekly and sometimes even daily basis. Through the Office of Disaster Assistance we make low-interest, long-term disaster recovery loans to home-owners, renters, not-for-profit organizations and businesses of all sizes to help people get their lives back on track and to help communities recover.

Because of the favorable terms on our loans, disaster victims are able to get funds when they may not qualify for them from private sources. Of particular concern to us at the SBA, and to you folks in this room, are the large-scale catastrophes, like Hurricane Katrina, the Northridge earthquakes, the terrorist attacks of 9/11, or even more extensive mega-catastrophe scenarios that are being talked about at length which require more than a basic response. The New Madrid Earthquake that is the basis for this workshop is a perfect example—we have seen the devastation that an event of this magnitude can bring, and we must all commit ourselves to be fully prepared for an event like this in the future.

Last Summer

When I first arrived here in Washington and took over at the SBA, 11 months had passed since Katrina first tore through the Gulf Coast region. The Agency had taken important steps to increase the number of disaster staff and had expanded its systems capacity.

However, more changes were needed to reform the processes for our disaster loan products. As a result of the Gulf Coast Hurricanes, we received over 420,000 disaster loan applications and had 120,000 applications, three-fourths of the approved loans, backlogged somewhere in the process. These 120,000 applications each represented a person, a family, or a business—someone who was hoping to recover their life and was relying on the SBA to help them do that. Time was of the essence.

We immediately began an extensive process reengineering initiative, with the first objective being to accelerate disbursements on approved loans. Our focus was on reducing errors, streamlining our processes, improving controls and improving our customer service. After a few months, the backlogs were eliminated and 98 percent of the approved borrowers had either received all or part of their funds or had withdrawn their requests. Additionally, our IT platform has been expanded to handle 3 ½ times the capacity that what we used in Katrina.

As of today, over 5.7 billion dollars has been disbursed by the SBA and is in the hands of disaster victims in the Gulf. Those funds are being used to help home and business owners get back on their feet while driving funds into the local economy. Our backlog is long gone, and the agency has made great strides in preparing for the next big disaster that could potentially strike anytime and anywhere across the country.

Surge Plan

We have prepared a comprehensive disaster recovery plan that was presented to Congress this past week, as well as a complementary internal playbook and it is there that we lay out the Agency's response plan for disasters of various shapes and sizes.

- Three primary elements at its core
 - Ramp people – loan processors, analysts, attorneys
 - Facilities
 - IT capacity
- Well conceived strategy for people: The big issue is training and on boarding
 - Sufficient base staffing
 - Active reserve
 - Ready reserve
 - Engagement of SBA
- Facilities side
 - Core facilities
 - Backup – District Offices and DC capacity
 - Available through GSA
- IT is there

- Additionally, however:
 - Understands how essential communication / coordination is at all levels
 - Federal Government / Congress
 - State / Local Governments
 - Non-Governmental
 - Victims

Additionally, we have expanded our modeling and forecasting capabilities. Internally, SBA employs two models, one of which is designed to estimate the dollar amount of disaster assistance loans that will be made in response to the next large disaster – this is based on the information that is available at the time the disaster occurs. The second internal model is used to forecast the staffing levels necessary for the agency to handle disaster events, no matter how severe it is. SBA's modeling capabilities are particularly useful in determining the ideal physical location at which to locate surge employees and how best to deploy our resources in support of disaster relief and recovery efforts.

Another vital element of the SBA's response plan is the engaging of the private sector, and the establishment of public-private partnerships. For example, my staff has been working actively with the staff at the U.S. Chamber to determine opportunities for cooperation in disaster relief—everything from pre-event planning to the sharing of real-time information during an event, to possibly working with us to locate private sector volunteers that can help serve disaster victims. The point is this: In a megacatastrophic disaster event, it is incumbent upon the SBA to leverage capabilities outside of the agency, so that we may service loan victims as quickly as possible, and do our part to return their lives to a state of normalcy as soon as we can.

Future

An important source of future progress will be through expanded use of technology to improve our predictive capabilities, accelerate our lending decisions, and eliminate paper in our disaster loan processes. We have incorporated FEMA's HAZUS software offering—which many of your organizations use—into our internal and historical modeling products. We are also evaluating other tools to improve our planning capabilities. We continue to search out and integrate state-of-the-art technology solutions into our disaster response. This includes the development of an online application for disaster loans and expanded web-based search engine tools that could allow us to gather public information about disaster victims more rapidly.

During the past year we launched a significant effort to examine leading-edge modeling and simulation developments in the private sector that could further improve our ability to forecast disaster recovery needs, loan volume and total costs. Taken together, these tools allow for an understanding of future disaster scenarios, based on past events and also allow for the planning of a “what-if” -type scenario for which little historical data may exist.

All of this will quicken the pace with which a loan is processed and funds are disbursed. It is imperative that following a disaster, funding gets into the hands of those who need it most. This especially includes small business owners who need that cash flow to keep their business alive, even if their employees and customers have not recovered enough for operations to return to a state of complete normalcy. Small businesses are particularly hard hit in disasters because in many cases, all of their facilities, their employees and customers (as well as their homes) are affected.

The SBA continues to work in partnership with other federal agencies, state and local governments, and communities to identify areas of concern with regard to disaster response and economic recovery. The Business Civic Leadership Center here at the Chamber of Commerce has been particularly helpful in assisting us in relaying the concerns that business owners have, as well as developing solutions for surge staffing and

improving our capabilities in the event of a mega-catastrophe. We also are continuing to work with other organizations, like the National Association of Counties, the National League of Cities, the International City and County Managers Association and others in order to work with their members on the issue of disaster response. I see this outreach with benefits in three particular areas.

The first is better communication into the agency on issues in affected communities. In Hurricane Katrina there was a massive communications breakdown. We've all seen the adverse effects of a large-scale breakdown can have. By developing and maintaining strategic communications with its partners, the SBA will have another outlet from which we can receive information about a disaster incident. This "on-the-ground intelligence" will allow us to ramp up our disaster response operations quickly, address issues as they arise, all the while tailoring to the specific conditions that exist on-site.

Secondly, it relates to getting our message. Many people are still unaware of the services that the SBA offers in disaster situations, or that our disaster loans don't just apply to businesses – they are also for homeowners, renters and not-for-profits.

Finally, it is incumbent not only upon governments, but also upon businesses, civic organization and associations to leverage their resources

in a coordinated way to support people affected by a disaster. Banks and lending institutions have well-developed relationships with their customer base, which can be a useful tool in determining how best to assist and guide that business. There are also many businesses and organizations that can offer not only relief aid but the use of their facilities, people or specific services that can complement what the SBA and others are doing with regards to relief and recovery.

The Gulf Rebuilding

We all need to understand that to be successful in rebuilding communities we must enable a thriving small business community to reestablish itself.

Today, the SBA is heavily focused is on local small businesses. As more local small businesses win contracts, it allows them to be directly involved in rebuilding their own communities while keeping their business going and their employees working. It gives much needed life to a sector whose success is essential to the region's economic future.

To be successful in our small business efforts in the Gulf has required tenacious and creative outreach. Following the hurricanes, the SBA conducted a mobile registration tour in the Gulf, which provided help for small businesses with electronic registration in the Central Contractor Registry and business counseling was also provided by SBA resource partners including SBDC and SCORE. Following the registration, SBA's

procurement center representatives worked with over 700 small businesses to match capabilities of the firms with the needs of the procuring activities.

Registered small businesses have received more than \$650 million in contracts and their profiles have been uploaded to the GSA's electronic notification system for procurement opportunities.

Small businesses from around the country have received nearly 29 percent of the more than \$15.5 billion as prime contractors in relief and reconstruction contracts awarded in the Gulf region as a result of damage caused by the 2005 hurricanes. Furthermore, nearly 8 percent, that's almost \$1.2 billion, has gone to Small Disadvantaged Businesses.

All told, local businesses of all sizes in Alabama, Louisiana and Mississippi received \$3.4 billion in government prime contracts, and 58 percent of SBA's New Orleans District portfolio of 8(a)-certified firms received government contracts.

But beyond prime contracts, it's also important to note the benefits of joint venturing and our mentor/protégé program. That program, which allows small businesses to be linked with large and middle-size firms in order to utilize their experience and resources, has been worth an estimated \$340 million in contracts awards.

Joint venture agreements are also an important opportunity for small business in that they allow two or more small businesses to join together and compliment their strengths, thereby providing them with opportunities neither one would have had individually. Joint ventures combine experience, expertise, financial strength, and bonding capacity.

2007 Preparedness

As we move further into this 2007 hurricane season, there is a lot of discussion about preparedness. When communities are affected by disaster, particularly ones as far-reaching and devastating as the Gulf Coast Hurricanes, millions of people are affected. I think that there's much more effort that can be put into disaster preparation, and I also know that many of you in this room are here for that very reason – you want to be more prepared.

We have had a focused media outreach effort to urge small business owners and others to take the time and be diligent about disaster preparedness. It is heart-rending to talk with someone who has spent a lifetime building a business to find out after a major disaster that their insurance doesn't cover flood damage or business interruption; to hear that all of their customer records have been lost because they had no remote backup, to hear their ability to secure essential financing was terribly delayed due to destroyed financial records...or worse.

Exercises like yesterday's show us that nobody can ever be 100 percent sure of what a disaster might bring and that, in the case of an unexpected event like an earthquake or terrorist attack, it will be important for all those involved in disaster relief to react quickly, efficiently, and in a way that optimizes the outcome. So everyone involved in disaster relief—no matter your specific role—must do whatever they can to prepare in advance. One of the ways that this is most easily accomplished is by forming partnerships with other agencies and establishing relationships and protocols that can be implemented in a disaster situation.

Let me leave you with these final thoughts: the current hurricane season began June 1st and all signs point toward a punishing storm season. We have already seen two named storms. Coastal populations and property values have grown exponentially in recent years.

The level of disaster preparation for individuals, businesses and communities can have an enormous effect on the longer term impact of a disaster. It is imperative that these plans are developed and made as robust as possible because strong, healthy communities and businesses that are ready to respond and have plans in place for recovery will come back that much quicker and stronger after a disaster strikes.

The federal government can design and offer valuable programs for aiding disaster affected areas – you’ve heard not only about what the SBA is doing but also the changes and progress that FEMA and others have made as well. These programs must be effectively delivered at the local level where the most people can benefit. This is where strong partnerships are essential between government and businesses, civic organizations and local communities.

We owe it to ourselves and our fellow citizens to have robust and executable plans for the immediate relief and recovery efforts and also for the long-term economic recovery operations, and that we work in partnership at the governmental and non-governmental level. Each one of us in the room knows what sort of challenges this brings and the resources, hard work and dedication that it will require.

At the Small Business Administration, we continue our disaster assistance work and we will be there, on the ground and ready to assist those businesses and people who need our help. I am confident that the improvements we have made to our disaster loan products and processes will serve to increase the speed and quality of our response. I also know that we will continue to improve and grow as an Agency and that disaster response and recovery continues to be an important issue facing us all.

I want to thank you for having me here today and also want to encourage you to contact my staff with questions, suggestions and recommendations. We are always open to your thoughts from the business community on how to make our performance better and how to make our agency more responsive. I appreciate your participation in this event, want to thank the BCLC and the Chamber for hosting us and look forward to answering any questions you might have over the next few minutes.

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